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REORGANIZATION OF THE MILITARY DEPARTMENTS' ACQUISITION MANAGEMENT STRUCTURES

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BEFORE THE
SUBCOMMITTEE ON INVESTIGATIONS
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the reorganization of the acquisition function in the military department headquarters mandated by Title V of the Goldwater-Nichols Department of Defense Reorganization Act. Our work, which was undertaken at the Subcommittee's request, focuses on how the military departments approached the reorganization and whether these efforts achieve the objectives of the legislation, particularly the goal of strengthening civilian control over the acquisition process.

BACKGROUND

Title V required the service Secretaries to establish a single office or other entity in the military department secretariat to conduct acquisition. The act sought to eliminate parallel or duplicate organizations that might have existed in the secretariat and military headquarters staffs. While the placement of the single offices in the service secretariats signified the desire to strengthen civilian control, the consolidation of these functions was not intended to exclude the service Chiefs of Staff from participating in the functions. Indeed, Title V directs the service secretaries to ensure that the single office or other entity provides the service Chiefs such staff support as each considers necessary to perform their duties and responsibilities. Further, the assignment of responsibility to a single office in the

secretariat does not prevent other elements in the executive part of the military departments, including the offices of the service Chiefs, from providing advice or assistance to the Chiefs or otherwise participating in the acquisition function under the direction of the single office.

Research and development is generally viewed as an integral part of the acquisition process. Title V specifies that for those aspects of research and development related to military requirements and test and evaluation, a service Secretary may assign responsibility to the service Chief, thus allowing responsibility for these functions to remain in the service Chief's organization. The conference report notes, however, that the conferees intended that each Service secretariat would have an expanded role in research and development activities.

The Reorganization Act was seen as complementing the recommendations of the President's Blue Ribbon Commission on Defense Management (better known as the Packard Commission). To streamline and reduce the layers of review in the acquisition process, the Packard Commission recommended implementation of a three-tier management concept whereby program managers would report to program executive officers who would report to a Service Acquisition Executive in each military department.

DOD implemented the Packard Commission recommendations in DOD Directive 5000.1, dated September 1, 1987. This directive established the position of Service Acquisition Executive, with the authority, responsibility, and accountability for acquisition program management and execution. It further directed that the military departments establish a streamlined acquisition structure for major defense acquisition programs. This streamlined acquisition structure was to be three-tiered with the program executive officer reporting directly to, and receiving direction from, the Service Acquisition Executive. It also specified that each Service Acquisition Executive would also serve as the Senior Procurement Executive.

The position of Senior Procurement Executive was created in 1983, when Congress amended the Office of Federal Procurement Policy Act to strengthen the federal government's procurement system. The amendments (41 U.S.C. 414) specified that the Senior Procurement Executive "shall be responsible for the management direction" of the agency's procurement system, "including implementation of the unique procurement policies, regulations, and standards of the executive agency".

Subsequent legislation assigned certain responsibilities to the Senior Procurement Executive. Under 10 U.S.C. 2304(i)(iii), the Senior Procurement Executive is required to approve the justification for noncompetitive procedures for contracts exceeding

$10,000,000. Also, for selected acquisition programs (known as defense enterprise programs), the Congress required use of the three-tier management structure recommended by the Packard Commission. This legislation, 10 U.S.C. 2436(c)(3) required that these programs report to the Senior Procurement Executive.

In making the changes to their acquisition organizations required by the Reorganization Act, the services used different approaches.

ARMY

The Army undertook an extensive restructuring of its headquarters acquisition activities. It designated the Under Secretary as the Service Acquisition Executive and created a new entity, the Office of the Army Acquisition Executive. The Under Secretary was also appointed the Army's Senior Procurement Executive. Prior to the reorganization, three organizations were responsible for acquisition management activities for most systems and equipment--the secretariat's acquisition organization, the Chief of Staff's research, development and acquisition organization, and elements of the Chief of Staff's logistics organization (which was responsible for overseeing the Army's contracting activities). These organizations were integrated to form the new Office of the Assistant Secretary for Research, Development and Acquisition. In addition, a third military staff organization having responsibility for acquisition of information systems was moved to the

secretariat. The new Assistant Secretary's office and the information systems office form the Office of the Army Acquisition Executive.

The Army Acquisition Executive is now supported by a staff of 451--273 staff in the Office of the Assistant Secretary, 149 staff in the Office of the Director of Information Systems for Command, Control, Communications, and Computers, and 29 staff in the Office of the Under Secretary. In comparison, prior to the reorganization, the primary secretariat acquisition organization had 37 staff members.

AIR FORCE

The Air Force reorganized its headquarters acquisition organization by merging the Chief of Staff's research, development, and acquisition office with the Office of the Assistant Secretary for Acquisition and Logistics. The Assistant Secretary for Acquisition who heads this newly formed organization is designated as the Air Force Acquisition Executive and the Senior Procurement Executive. The Assistant Secretary now oversees a staff of 320. This represents a substantial change from the 39-person staff which comprised the previous secretariat acquisition organization.

Some segments of the former secretariat acquisition organization, even though they have acquisition responsibilities, did not become

part of the new acquisition organization. Personnel from the acquisition secretariat office responsible for such activities as acquisition logistics and acquisition through foreign governments went to the Assistant Secretary for Readiness Support. In addition, acquisition management responsibilities for some types of equipment, such as vehicle test equipment and ammunition, remain in the Chief of Staff's organization.

NAVY

Few changes were made in the Navy headquarters acquisition programs although more substantial realignments were made at Marine Corps headquarters. The Navy designated the Under Secretary as the Navy Acquisition Executive. He is responsible primarily for major defense acquisition programs to be implemented through the three-tier management approach recommended by the Packard Commission as well as other appropriate significant acquisition issues. In advising the Congress on how the Navy complied with the act, the Secretary stated that the Under Secretary had been given responsibility for all departmental acquisition matters and is assisted by two assistant secretaries, as permitted under the Reorganization Act.

The Navy has designated the Assistant Secretary for Research, Engineering, and Systems as responsible to the Secretary or the Navy Acquisition Executive for all department acquisition programs,

except shipbuilding, up to full scale production, including policy and administration. The Assistant Secretary for Shipbuilding and Logistics is responsible for the Navy's shipbuilding programs and for all acquisition production and support functions for the Navy and Marine Corps. He is also the Navy's Senior Procurement Executive and reports to the Navy Acquisition Executive on acquisition matters.

The major organizational change taken in response to Title V was the transfer of staff from the Chief of Naval Operations (CNO) research and development office to the staff of the Assistant Secretary for Research, Engineering and Systems. This staff coordinates research and development requirements, monitors programs, and reviews test and evaluation plans. This change was completed in July 1988. As a result of this change, the acquisition secretariats' staff was augmented by 64, bringing the total to 342 staff.

MARINE CORPS

Acquisition management of Marine Corps programs is different than the other three services since Marine Corps aircraft are acquired through the Navy acquisition management system and funded by the Navy aircraft procurement budget. Prior to the Reorganization Act, responsibility for other Marine Corps acquisitions was divided among several Headquarters, Marine Corps military staff

organizations. As a result of the Reorganization Act and the Marine Corps' recognition of the need to improve its acquisition management system, two new field commands were created and responsibility for most Marine Corps headquarters acquisition activities were transferred to these commands.

The newly established Combat Development Command was given responsibility for developing acquisition program requirements. A Research, Development, and Acquisition Command was established and most of the tactical acquisition functions formerly performed by about 350 headquarters personnel were transferred from various headquarters organizations to it. The commander, who functions as the Marine Corps' principal acquisition executive, has the authority, responsibility, and accountability for all Marine Corps tactical systems except aircraft. He is also dual-hatted as the Navy Deputy Assistant Secretary for Research, Engineering and Systems. Additionally, until September 1, 1988, when the position was eliminated, he also served as the Marine Corps Deputy Chief of Staff for Research, Development and Acquisition. As a result of the disestablishment of this organization, the Marine Corps recommended the transfer of seven personnel to the office of the Navy Assistant Secretary for Research, Engineering and Systems to monitor Marine Corps programs for the Navy secretariat. As of today, this transfer has not taken place. However, Navy secretariat officials said they concur with the Marine Corps' recommendation and plan to accomplish the transfer when a

reorganization plan for the Navy secretariat is completed and implemented. We believe this transfer is needed to assure the Navy's compliance with the Reorganization Act.

Although responsibility for most Marine Corps acquisition activities has transferred to field commands, certain acquisition activities continue to be performed by military headquarters staff. For example, personnel responsible for the procurement of nontactical goods and services such as recruitment advertising and administrative data processing equipment, as well as those who control, maintain and account for ground ammunition and missiles, remain in the Office of the Deputy Chief of Staff for Installations and Logistics.

CIVILIAN CONTROL AND THE ROLE OF THE MILITARY STAFFS

The Reorganization Act sought to strengthen civilian control by giving secretariat officials, such as the assistant secretaries and the under secretaries, more direct control over the staffs that manage the acquisition process on a day-to-day basis. As a result of the reorganizations, clearly identifiable changes in the roles of the Army and Air Force assistant secretaries and other key secretarial officials have become apparent. The assistant secretaries have increased oversight and control over the development of policy, procedures and decisions on major programs. Officials in the Army and Air Force, where the increase in the

size of the acquisition secretariats was dramatic, report a much greater involvement on the part of the assistant secretaries in the day-to-day management of the acquisition process.

A key element in the strengthening of civilian control is improved access to program specific information. Prior to the reorganizations, each of the military departments had military officers in the Chiefs' organizations who were primarily concerned with tracking individual programs and coordinating actions on these programs within the headquarters and between the headquarters and the service buying commands. These program focal points were called program element monitors in the Air Force, systems coordinators in the Army, and program coordinators in the Navy.

Air Force

The Air Force's reorganization resulted in the transfer of the program element monitors from the Chief's research and development office to the acquisition secretariat. As a result, the Assistant Secretary has direct access to program specific information thereby enhancing his control over the acquisition process.

Army

The situation in the Army is more ambiguous. In implementing the three-tier management approach recommended by the Packard

Commission, the Army created program executive offices and sought to give them responsibility for coordinating and overseeing programs. As a result, the system coordinator positions were eliminated. Many Army officials told us that the systems coordinators performed a necessary coordination function and that the elimination of these positions created a void at the headquarters. This void has at times been filled by staff of the Deputy Chief of Staff for Operations and Plans. Therefore, the potential exists for the program specific expertise to ultimately reside in the military Chief of Staff's organization rather than within the civilian acquisition secretariat, which would distract from the objective of strengthening civilian control. Army officials agree that this is a legitimate concern but believe it is too soon to tell if it is a real problem. They said that they intend to monitor the situation as it evolves and will take action if they see the role of the secretariat being diluted.

Navy

Changes have been less visible in the Navy since relatively few staff have been transferred from the CNO's organization. Prior to the Reorganization Act, the Navy had disestablished the Navy Material Command and transferred some of its functions and staff to the secretariat organization. In response to the Reorganization Act, 64 staff were transferred in July 1988 from the CNO's research and development organization to the Office of the

Assistant Secretary for Research, Engineering and Systems. A reorganization of the Assistant Secretary's office to incorporate the staff was scheduled for September 1, 1988, but has not occurred since details of the reorganization have not been worked out.

Navy program coordinators continue to reside in the CNO's organization. Unlike the situation in the Army and Air Force, the Navy's program coordinators were never assigned to the CNO's research and development organization. Rather, before the reorganization as well as now, program coordinators are assigned to the staffs of what the Navy calls "program sponsors," that is, the assistant chiefs of naval operations for submarine warfare, surface warfare, air warfare and directors of other CNO offices. The program coordinators serve as the link between the CNO program sponsors and program managers in the systems commands. Their responsibilities include coordinating program decision documents, monitoring and appraising program progress, and representing the program sponsor in daily management matters. This suggests a more proactive role than was intended by the Packard Commission for the service Chiefs' staffs.

While the Navy does not view this as a problem, we are concerned that the current organization may not be the best arrangement to provide the Navy Acquisition Executive with the programmatic expertise needed to carry out independent oversight of the

acquisition process. We believe the Navy should reassess this arrangement.

ROLE OF CAREER CIVILIANS IN THE REORGANIZED STRUCTURES

The impact of the reorganizations on career civilians differed from service to service. Career civilians were placed in key leadership positions in the Army. In contrast, key leadership positions are almost exclusively occupied by military officers in the Air Force. The Navy, on the other hand, already had career civilians in key positions of authority and this did not change significantly with the reorganization.

When the overall mix of civilian and military is considered, the Air Force tends to show a higher percentage of military officers in technical and managerial positions than is found in the Army and Navy. This is due, in part, to the Air Force's emphasis on system specific expertise, which is normally provided by military officers.

Leadership positions

In the Army, career civilians hold key positions of authority in the reorganized acquisition structure. For example, three of the five major offices in the secretariat research, development, and acquisition organization are headed by civilians, and these

officials have a high percentage of civilian staff reporting to them. These civilian-headed offices have primary responsibility for contracting policy and development, program and contractor performance evaluation, and coordination of the planning, programming, and budgeting functions.

In the Air Force, key leadership positions continue to be largely filled by general officers. For example, the five systems directorates, the contracting and manufacturing directorate, and the planning and integration directorate are each headed by military officers. Ninety percent of the technical and managerial staff report through these general officers. General officers also serve as the principal deputy and assistant deputy to the Assistant Secretary for Acquisition. A civilian serves as the Deputy Assistant Secretary for Acquisition Management and Policy. Other senior positions held by civilians include that of the competition advocate, the director for test and evaluation, the deputy assistant secretary for command, control, communication, and computers, and the deputies for technology, tactical systems, strategic aerospace systems, international programs, and strategic missile systems. These "deputies for" held key positions in the prior acquisition secretariat. Their role in the new organization, as we reported to you last April, continues to be controversial.

Civilians dominated the Navy acquisition organization prior to the reorganization and continue to do so. The principal deputies to

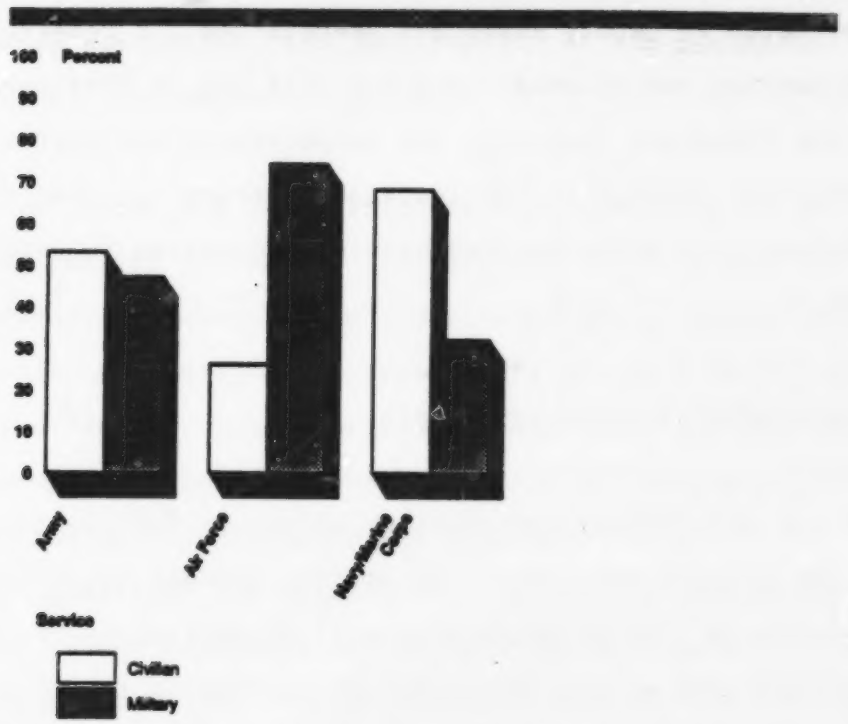
the two assistant secretaries are civilians. As a result of the reorganization, a vice admiral and lieutenant general were designated as deputy assistant secretaries for research, engineering and systems. All but 2 of the 16 directors who report to the Assistant Secretary for Shipbuilding and Logistics and his deputy are civilian. The leadership structure under the Assistant Secretary for Research, Engineering and System is undefined at this time.

Civilian/Military Personnel Mix

The mix of civilian and military technical and managerial personnel in the reorganized structures differs between the military departments. As shown in figure 1, 54 percent of the Army technical and managerial staff, 68 percent of the Navy staff, and 26 percent of the Air Force secretariat staff are civilians.[1]

[1]These percentages are based on the assistant secretaries' offices only.

Figure 1: Mix of Civilian and Military Staff in Technical and Managerial Positions



Note: Navy percentages include positions proposed for transfer from the CNO's staff to the Navy secretariat

Note: Percentages reflect civilian/military technical and managerial positions (civilian/military administrative positions not included)

The percentage of civilians increased in all three military departments--prior to the reorganization, civilians accounted for 44 percent of the Army's, 61 percent of the Navy's, and 21 percent of the Air Force's technical and managerial staff.

Differences in the services' mix of civilian and military personnel reflect several factors. The Air Force has traditionally had a more defined military career field in acquisition management and military officers make up a greater proportion of the total acquisition work force than in the other services.

The differences also reflect the differing emphasis placed on various functions within each of the secretariat acquisition organizations. For example, more staff in the Air Force secretariat are dedicated to systems specific work--approximately 140 Air Force positions are involved in this function compared to about 65 positions in the Army[2] and about 50 positions in the Navy. These positions are normally filled by military officers. The Navy secretariat, on the other hand, has considerably more personnel devoted to the contracting function, a career field dominated by civilians. For example, the Navy has approximately 140 staff involved in contracting activity compared to 65 in the Army and 54 in the Air Force acquisition secretariats.

COMPLIANCE WITH THE REQUIREMENTS OF THE ACT

We believe that the actions taken by the military departments for the most part comply with the requirements of the Reorganization

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[2]Includes 20 personnel at the Headquarters, Army Materiel Command who report to the Army Acquisition Executive on a dual-hatted basis.

Act. However, we are not satisfied with the Navy's compliance with the requirement that a single office or other entity in the secretariat be designated or established to conduct the acquisition function. The Navy has assigned significant acquisition responsibilities to the Under Secretary as well as to the two assistant secretaries. In contrast to the Army's Office of the Acquisition Executive, which clearly establishes a single office headed by the Acquisition Executive (the Under Secretary), the Navy has not consolidated acquisition authority in one office or entity.

In our view, Title V does not, as the Navy asserts, authorize other offices in the civilian secretariat--for example the assistant secretaries--to participate in the acquisition function under the direction of the office assigned responsibility for that function in the secretariat, i.e. the Under Secretary. This Title V provision applies only to the executive parts of the Navy outside the secretariat.

We also believe that the acquisition activities of the Air Force's Assistant Secretary for Readiness Support does not fully comply with the single office requirement. This office has a responsibility for oversight of acquisition logistics matters, including reliability, maintainability, and supportability concerns. Air Force officials have indicated that the transfer of some acquisition-related functions from this office to the Office of the Assistant Secretary for Acquisition is being considered.

As we reviewed compliance with the requirements of the act, we noted that differing interpretations of the term "acquisition" affected the scope of activities included in the secretariat acquisition offices. While the new organizations are uniformly responsible for major weapon systems acquisition, some other types of acquisition are handled differently. For example, the organization responsible for acquisition of information systems was included in the Army Acquisition Executive's office but was not included in the acquisition secretariats of the other military departments. The Army and Navy secretariats also oversee logistics-related procurement, such as the procurement of support equipment, while the Air Force Acquisition Executive does not.

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In summary, Mr. Chairman, the change in headquarters acquisition management that has taken place as a result of the Reorganization Act has been significant. While we believe that (1) both the Navy and Air Force need to take steps to bring their organizations into compliance with the Act and (2) some refinements may be needed as experience is gained with the new organizations, our overall conclusion is that the Reorganization Act is succeeding in its goal of strengthening civilian control. Secretariat officials are now responsible for most acquisition functions and preside over significantly larger organizations. Their day-to-day involvement

in the conduct of the acquisition function has increased, particularly in the Army and the Air Force.

That concludes my prepared statement. I would be pleased to respond to any questions.